

AR21

Sears

**Annual
Report
Nineteen
Eighty**

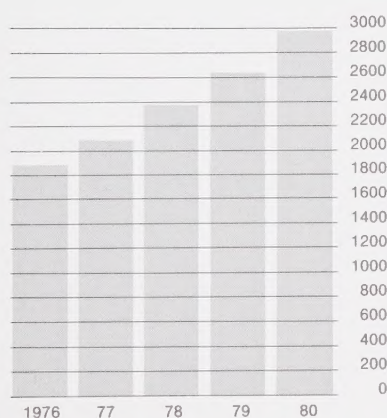
Sears is Canada's leading retailer. From coast to coast, our department stores, catalogues, and catalogue sales units offer a unique combination of shopping choice, convenience, personal service and value. That's why we say to all Canadians "At Sears you get your money's worth...and more."



FINANCIAL HIGHLIGHTS

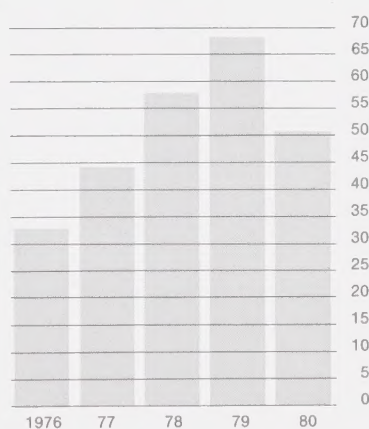
	1980 53 Weeks (in thousands)	1979 52 Weeks (in thousands)
Net sales	\$2,954,606	\$2,618,213
Net earnings	50,225	67,932
*Per share	.58	.85
Dividends declared	31,430	29,416
Per share	.36	.36
Shareholders' equity	570,097	549,896
Per share	6.53	6.31
Municipal realty and business taxes	28,301	25,045
Federal and provincial income taxes	32,437	45,369
Depreciation	36,218	32,500
Contribution to Simpsons-Sears Plan for Sharing Profits	3,245	4,248
Contributions to Company and Government Pension Plans	21,819	20,485
Fixed asset additions:		
Owned	40,475	37,282
Leased under capital leases	6,064	1,548

*Based on weighted average number of shares outstanding during the period.



Sales

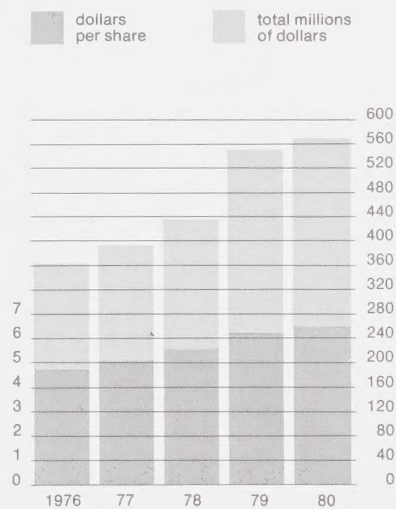
Consolidated net sales of \$2,954,606,000 in 1980 showed an increase of 12.8% over 1979. The compounded average increase for the five-year period 1976 to 1980 was 13.8% per year.



Earnings

Consolidated net earnings, after taxes, amounted to \$50,225,000 in 1980. The compounded average increase for the five-year period 1976 to 1980 was 9.4% per year.

Earnings per share, based on the weighted average number of shares outstanding during the year, were 58¢ in 1980 compared to 44¢ in 1976.



Shareholders' Equity

Total shareholders' equity increased from \$345,066,000 at the end of 1975 to \$570,097,000 at the end of 1980 and shows a compounded annual growth of 10.6% over the five-year period. Equity per share which was equivalent to \$4.60 at the end of 1975 increased to \$6.53 at the end of 1980.

The year 1980 includes 53 weeks



Sears and Jerry Petkau go back a long way... back to 1956 in fact, when Jerry was just starting out. Soon-to-be-married, he urgently needed furniture, but like many young people, he lacked cash. Jerry took his problem to Sears credit manager in Swift Current, got the things he needed, and began a lifetime of shopping at Sears. Now Jerry says "It would be difficult to find *anything* in my house I didn't buy at Sears." He depends on Sears brands, like Kenmore and Craftsman, and appreciates the fact that we service what we sell. "Top-quality at a very competitive price" he says "and they stand behind their product... I just don't see why a customer would want to shop at any other place?"



Sears

your money's worth...and more



For Maryska Bushnell, shopping from Sears catalogue began soon after her son David was born. Until then, Maryska shopped downtown where she worked. With a small child, however, getting to stores is difficult, and the catalogue suits her perfectly. "It's fast, it's easy, it's good value, and there's no hassle." Now 2 years old, David puts to the test our guarantee of satisfaction. His size changes rapidly and fit problems are sometimes unavoidable. "The catalogue is fabulous for that," says his mother "if it's wrong, they come and pick it up. It's not like I've made a mistake I'm stuck with...those things are important."



Sears

your money's worth...and more

REPORT TO SHAREHOLDERS



C. Richard Sharpe
Chairman of the Board and Chief Executive Officer

John D. Taylor
President and Chief Operating Officer

1980 was a difficult year for retailing. Buffeted by rising inflation, unemployment and high interest rates, consumer confidence reached its lowest point in many years. Retailers responded with highly competitive merchandising programs that put great pressure on margins.

Financial

The following comments summarize the considerable financial information available to you in this report. As you study this important data we believe you should keep in mind several key points.

Throughout the year earnings were restricted as a result of the intense competition on one hand, and the rising costs of doing business on the other.

An aggressive marketing program and effective control of costs and inventories enabled us to increase our sales and minimize the reduction of earnings.

Our market penetration increased.

Consolidated net sales for the fiscal year ended February 4, 1981, (53 weeks) were \$2,954,606,000, an increase of 12.8% over the reported figure of \$2,618,213,000 for the comparable year ended January 30, 1980, (52 weeks).

Net earnings for the 53 weeks were \$50,225,000 equivalent to 58¢ per share compared with \$67,932,000 or 85¢ the previous year (52 weeks).

Associated companies contributed 5¢ to the earnings of the Company compared with 10¢ per share in 1979.

These associated companies are: Allstate Insurance Company of Canada, Allstate Life Insurance Company of Canada, Photo Engravers & Electrotypers Limited, Inglis Limited and interests in shopping centres in which our stores are located.

Quarterly dividends of 9¢ per share were declared in 1980 for a total of 36¢, the same as in 1979.

During the year \$65,000,000 was added to the working capital of the Company by Simpsons-Sears Acceptance Company Limited with the issue of \$40,000,000, 12% Secured Debentures Series T and \$25,000,000 Floating Rate Secured Debentures Series U.

Employee Benefits

Employee benefits are an important part of total compensation at Sears. Benefits paid on behalf of our people amounted to 113 million dollars in 1980, compared with 100 million dollars in 1979.

We made major additions to our Employee Benefits Program during the year. A fully paid Dental Benefits Plan was introduced. Our Health Benefits Plan was improved with the addition of vision care coverage and this Plan is now also fully paid by the Company.

Expansion

During 1980 we opened new stores in St. Jean and Granby, Quebec, as well as in Winnipeg, Manitoba. We also enlarged and relocated our store in Moose Jaw, Saskatchewan. This store and the Granby, Quebec, store are being merchandised as "test stores", designed to meet the needs of smaller communities which, we believe, present great opportunities for growth.

This national expansion and renovation program required a capital investment of \$25,271,000. At year end the Company operated 68 retail department stores and 1,115 catalogue sales units.

Directors

Mr. Jack F. Kincannon, Vice Chairman of the Board and Chief Financial Officer of Sears, Roebuck and Co., and a Director of Simpsons-Sears Limited since 1969, retired in December, 1980. His advice, counsel and steady guidance contributed greatly to our profitable growth.

Mr. Richard M. Jones, Vice Chairman and Chief Financial Officer, Sears, Roebuck and Co., was elected to the Board of Directors. We welcome Mr. Jones to the Company.

Officers

The following officer appointments were made during the year. Maurice F. Anderson was appointed Vice-President, Information Systems, and Walter G. Pridham was appointed Vice-President, Corporate Planning.

The Outlook

The economic outlook in the near future is one of continuing difficulties and while we are under no illusion that the task will be easy, we are confident that we are ready to take advantage of the opportunities to grow and prosper.

A comprehensive study of the Company, begun last year, has highlighted major opportunities for improved earnings and growth. A long-range program to reduce costs through improved productivity, organization and systems is under way. A re-organization and streamlining of our data processing activities

has already taken place and other opportunities will be implemented over a period of time.

Expansion and renovation of existing retail stores and catalogue selling units continue as we constantly strive to make all of our facilities pleasant places to shop.

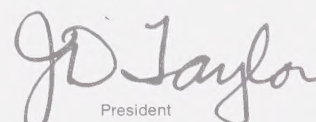
Our confidence in the future is underscored by our plans to open three to five new retail stores and 25 new catalogue sales units each year. These additional facilities will further improve service to our customers, coast to coast, and contribute to our future growth.

However, in the final analysis, the success of any company is determined largely by the talent, experience and dedication of its people. We are proud of our personnel. While we are a large corporation, we strive to develop the close personal relationship and spirit of a smaller organization.

To meet and deal with the challenges presented to us will require the best—and the "best" is our people at Sears.



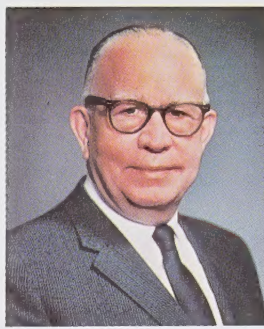
Chairman of the Board



President

April 20, 1981

BOARD OF DIRECTORS



CROWDUS BAKER
Honorary Director
former Vice Chairman
of the Board,
Sears, Roebuck and Co.



JACK C. BARROW
former Chairman of the Board,
Simpsons-Sears Limited



MICHEL F. BÉLANGER
President and
Chief Executive Officer,
National Bank of Canada



JAMES W. BUTTON
Honorary Director
former Special Assistant
to the Chairman,
Sears, Roebuck and Co.



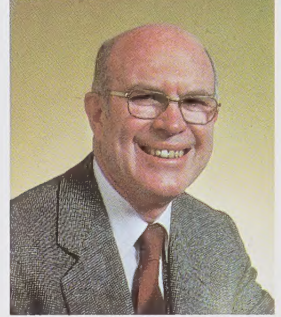
ROBERT J. COLLINS-WRIGHT
President and
Chief Executive Officer,
Inglis Limited



HAROLD CORRIGAN
Vice-President,
Corporate Relations
Alcan Aluminium Limited



WILLIAM A. DIMMA
President and
Chief Operating Officer,
A.E. LePage Limited



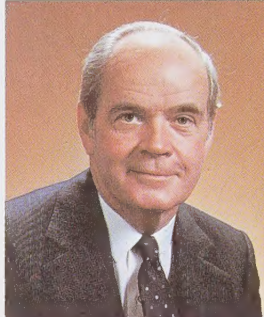
JOHN F. GALLAGHER
Vice President,
International Operations,
Sears, Roebuck and Co.



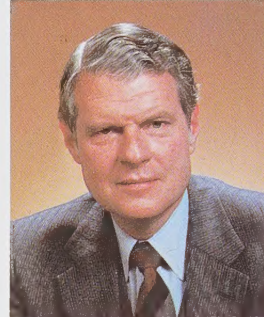
MACLEAN E. JONES, Q.C.
Partner,
Bennett Jones
Barristers and Solicitors



RICHARD M. JONES
Vice Chairman and
Chief Financial Officer
Sears, Roebuck and Co.



ARTHUR H. MINGAY
Chairman of the Board and
The Executive Committee,
Canada Trustco
Mortgage Company and
The Canada Trust Company



ALFRED POWIS
Chairman and President,
Noranda Mines Limited



C. RICHARD SHARPE
Chairman of the Board and
Chief Executive Officer,
Simpsons-Sears Limited



JOHN D. TAYLOR
President and
Chief Operating Officer,
Simpsons-Sears Limited



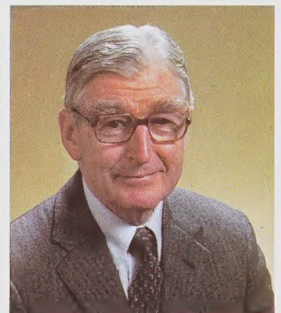
EDWARD R. TELLING
Chairman, President
and Chief Executive Officer,
Sears, Roebuck and Co.



JAMES M. TORY, Q.C.
Partner, Tory, Tory,
DesLauriers and Binnington,
Barristers and Solicitors



WILLIAM P. WILDER
President and
Chief Executive Officer,
Hiram Walker-
Consumers Home Ltd.



ARTHUR M. WOOD
Chairman of the Board
of Trustees, The Savings and
Profit Sharing Fund of
Sears Employees, former
Chairman of the Board and
Chief Executive Officer,
Sears, Roebuck and Co.

OFFICERS

C. Richard Sharpe	Chairman of the Board and Chief Executive Officer
John D. Taylor	President and Chief Operating Officer
Maurice F. Anderson	Vice-President, Information Systems
C. Lester Bishop	Vice-President, Finance
Alex Campbell	Vice-President, Operating
David S. Chapman	Vice-President, Merchandise Distribution
J.J. Michael Eagan	Vice-President, Secretary and Corporate Counsel
Frank R. Hammond	Vice-President, Retail
Robert J. Knox	Vice-President, Public Affairs
Kenneth A. McCartney	Vice-President, Merchandising
Walter G. Pridham	Vice-President, Corporate Planning
Morgan Reid	Vice-President, Planning and Development
Leslie Visosky	Vice-President, Personnel
James E. Copland	Corporate Comptroller
Larry E. Ginther	Treasurer

COMMITTEES OF THE BOARD

Finance	Compensation
J.C. Barrow, Chairman	A.M. Wood, Chairman
C.L. Bishop	J.C. Barrow
R.M. Jones	A. Powis
A.H. Mingay	E.R. Telling
A. Powis	W.P. Wilder
C.R. Sharpe	Investment
J.D. Taylor	W.P. Wilder, Chairman
J.M. Tory	C. Baker
W.P. Wilder	J.C. Barrow
Audit	C.L. Bishop
J.M. Tory, Chairman	W.A. Dimma
J.C. Barrow	C.R. Sharpe
R.J. Collins-Wright	J.D. Taylor
H. Corrigan	
J.F. Gallagher	
M.E. Jones	

CATALOGUE CENTRES, CATALOGUE SALES UNITS, RETAIL STORES

Catalogue Centres

Halifax, Nova Scotia
Toronto, Ontario
Regina, Saskatchewan
Vancouver, British Columbia

1115 Catalogue Sales Units

68 Retail Stores

Barrie, Ontario
Belleville, Ontario
Brantford, Ontario
Burlington, Ontario
Burnaby, British Columbia
Calgary, Alberta
Chinook-Centre
Marlborough
North Hill
Chicoutimi, Quebec
Chilliwack, British Columbia
Cornwall, Ontario
Dundas, Ontario
Edmonton, Alberta
Bonnie Doon
Kingsway
Meadowlark
Fredericton, New Brunswick
Granby, Quebec

Guelph, Ontario
Hamilton, Ontario
Hull, Quebec
Kamloops, British Columbia
Kelowna, British Columbia
Kingston, Ontario
Kitchener, Ontario
Lethbridge, Alberta
Levis, Quebec
Markham, Ontario
Medicine Hat, Alberta
Mississauga, Ontario
Montreal, Quebec
les Galeries d'Anjou
Mail Champlain
Place Vertu
Moncton, New Brunswick
Moose Jaw, Saskatchewan
Nanaimo, British Columbia
Newmarket, Ontario
North Vancouver, British Columbia
Oshawa, Ontario
Ottawa, Ontario
Carlingwood
St. Laurent
Peterborough, Ontario
Prince Albert, Saskatchewan
Prince George, British Columbia

Quebec City, Quebec
Fleur de Lys
Place Laurier
Red Deer, Alberta
Richmond, British Columbia
Richmond Hill, Ontario
Saint John, New Brunswick
Sarnia, Ontario
Saskatoon, Saskatchewan
Sault Ste. Marie, Ontario
Sherbrooke, Quebec
St. Catharines, Ontario
St. Jean, Quebec
St. Jerome, Quebec
St. John's, Newfoundland
Sudbury, Ontario
Surrey, British Columbia
Thunder Bay, Ontario
Toronto, Ontario
Trois-Rivières, Quebec
Vancouver, British Columbia
Victoria, British Columbia
Windsor, Ontario
Winnipeg, Manitoba
Garden City
Kildonan
Polo Park

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Simpsons-Sears Limited

	Fiscal Year Ended	
	February 4, 1981 53 Weeks (in thousands)	January 30, 1980 52 Weeks (in thousands)
Consolidated Earnings		
Net sales, including service charges on instalment sales	\$2,954,606	\$2,618,213
Rentals and other income	6,029	4,599
	2,960,635	2,622,812
Deduct:		
Cost of merchandise sold and selling, operating and administrative expenses	2,729,984	2,386,112
Depreciation	36,218	32,500
Interest on long-term obligations	52,737	51,434
Other interest	34,764	22,600
Municipal realty and business taxes	28,301	25,045
	2,882,004	2,517,691
Earnings from operations before income taxes	78,631	105,121
Income taxes:		
Current	31,016	42,483
Deferred	1,421	2,886
	32,437	45,369
Earnings from operations	46,194	59,752
Equity in earnings of associated companies	4,031	8,180
Net earnings for the fiscal year	\$ 50,225	\$ 67,932
Net earnings per share	\$.58	\$.85

	Fiscal Year Ended	
	February 4, 1981 53 Weeks (in thousands)	January 30, 1980 52 Weeks (in thousands)
Consolidated Retained Earnings		
Balance at beginning of fiscal year	\$ 280,077	\$ 241,896
Adjustment for the cumulative effect on prior years of change in accounting for leases (Note 2)	—	335
	280,077	241,561
Net earnings for the fiscal year	50,225	67,932
	330,302	309,493
Dividends declared (36¢ per share)	31,430	29,416
Balance at end of fiscal year	\$ 298,872	\$ 280,077

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Simpsons-Sears Limited

	Fiscal Year Ended	
	February 4, 1981 53 Weeks (in thousands)	January 30, 1980 52 Weeks (in thousands)
Source of Working Capital		
Net earnings for the fiscal year	\$ 50,225	\$ 67,932
Non-cash charges deducted in arriving at net earnings, principally depreciation and deferred income taxes	36,702	33,643
Equity in earnings of associated companies	(4,031)	(8,180)
Working capital from operations	82,896	93,395
Proceeds from issue of long-term obligations	66,113	3,880
Capitalization of lease obligations	6,064	1,548
Proceeds from issue of capital stock	1,406	75,578
Decrease in investments and other assets	1,247	2,280
Disposal of fixed assets	632	253
Amounts received from associated companies	4,181	809
	<u>162,539</u>	<u>177,743</u>
Use of Working Capital		
Fixed asset additions:		
Owned	40,475	37,282
Leased under capital leases	6,064	1,548
Decrease in long-term obligations	30,077	36,684
Increase in investments and other assets	7,455	7,765
Dividends declared	31,430	29,416
	<u>115,501</u>	<u>112,695</u>
Increase in working capital	\$ 47,038	\$ 65,048
Working capital at end of fiscal year	<u>\$714,822</u>	<u>\$667,784</u>

CONSOLIDATED BALANCE SHEET

Assets

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Current Assets		
Cash	\$ 5,123	\$ 4,490
Accounts receivable (Note 3)	675,904	639,273
Inventories	532,906	472,144
Prepaid advertising and other charges	59,356	54,299
	<u>1,273,289</u>	<u>1,170,206</u>
Investments and Other Assets (Note 4)	55,620	49,562
 Fixed Assets (Note 5)		
Land	30,208	27,276
Buildings and improvements	306,261	292,057
Equipment and fixtures	211,132	195,669
	<u>547,601</u>	<u>515,002</u>
Less accumulated depreciation	184,678	161,768
	<u>362,923</u>	<u>353,234</u>
 Unamortized Bond and Debenture Discount and Expense and Unrealized Foreign Exchange Losses	4,601	4,883

Approved by the Board:



C.R. Sharpe Director



J.D. Taylor Director

\$1,696,433

\$1,577,885

Liabilities

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Current Liabilities		
Bank advances and short-term notes (Note 6)	\$ 273,158	\$ 180,499
Accounts payable	131,091	125,590
Accrued liabilities	92,164	79,918
Income and other taxes	35,196	78,624
Principal payments on long-term obligations due within one year (Note 7)	19,000	29,951
Dividend payable	7,858	7,840
	558,467	502,422
Long-Term Obligations (Note 7)	543,442	500,955
Deferred Income Taxes	24,427	24,612
	1,126,336	1,027,989

Shareholders' Equity

Capital Stock (Note 8)

Authorized shares of no par value—

18,500,000 Class A shares

37,000,000 Class B shares

37,000,000 Class C shares

Issued—

16,919,828 Class A shares (January 30, 1980 - 16,722,528)

35,174,584 Class B shares

35,212,571 Class C shares

271,225 269,819

Retained Earnings

298,872 280,077

570,097 549,896

\$1,696,433 **\$1,577,885**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Simpsons-Sears Limited

1. SUMMARY OF ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons-Sears Limited and all subsidiaries.

Inventories:

Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for retail store inventories on a first-in, first-out basis applied by the retail inventory method and for catalogue order and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments:

Investments in associated companies are carried at cost plus equity in undistributed earnings since dates of acquisition. Other investments are carried at cost.

Fixed Assets:

Fixed assets are stated at cost. Depreciation and amortization provisions are generally computed by the straight-line method based on the estimated useful lives of 4 to 10 years for equipment and fixtures and of 30 to 50 years for buildings and improvements.

Leases:

Leases are accounted for as capital or operating leases based on an assessment of each lease.

Unamortized Bond and Debenture Discount and Expense:

Bond and debenture discount and expense are amortized by the reducing balance method or by the straight-line method, as applicable, to the due dates of the respective bonds and debentures.

Profits on Instalment Sales:

Profits on instalment sales, but not the service charges on such sales, are taken into earnings at the time of sale. The service charges are taken into earnings as earned.

Foreign Currency Translation:

Long-term obligations payable in U.S. dollars are translated at the exchange rate in effect at the balance sheet date. Unrealized foreign exchange gains and losses are deferred and amortized over the remaining lives of the obligations.

Pensions:

Current service costs under the Company's Guaranteed Retirement Income Plan are charged to operations as they accrue. Prior service costs are charged to operations as they are funded.

Net Earnings per Share:

Net earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year.

The Companies Act of British Columbia:

The consolidated financial statements do not purport to comply with certain disclosure requirements unique to the Companies Act of British Columbia.

2. CHANGE OF ACCOUNTING POLICY:

In 1979, the Company adopted, on a retroactive basis, the policy of accounting for leases that transfer to the Company most of the benefits and risks of ownership related to leased property as capital leases in accordance with recommendations of The Canadian Institute of Chartered Accountants. Previously, all leases were accounted for as operating leases and payments were charged directly against earnings.

3. ACCOUNTS RECEIVABLE:

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Customer instalment accounts	\$616,699	\$590,763
Miscellaneous accounts	74,508	64,824
	<u>691,207</u>	<u>655,587</u>
Less allowance for doubtful accounts	15,303	16,314
	<u>\$675,904</u>	<u>\$639,273</u>

In accordance with recognized trade practices, customer instalment accounts include amounts which will not become due within one year.

4. INVESTMENTS AND OTHER ASSETS:

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Investments in associated companies	\$37,938	\$38,087
Other investments, principally		
real estate advances	14,265	8,787
Notes receivable on Class A shares		
of Simpsons-Sears Limited issued		
under the Employees' Stock		
Purchase Plan	3,417	2,688
	<u>\$55,620</u>	<u>\$49,562</u>

The Company's equity in the net assets of the associated companies as shown in their financial statements approximates the carrying value thereof. The investments in associated companies include a 25% share interest in each of Allstate Insurance Company of Canada and Allstate Life Insurance Company of Canada, a 45% share interest in Photo Engravers & Electrotypes Limited, a 20% share interest in Inglis Limited and interests in shopping centres in which the Company's stores are located. Pursuant to a long-term agreement, Photo Engravers produces catalogues for the Company. Inglis is a major supplier of large home appliances.

5. FIXED ASSETS:

Fixed assets include the following capitalized leased assets:

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Buildings	\$26,979	\$ 20,915
Equipment	3,316	3,316
	<u>30,295</u>	<u>24,231</u>
Less accumulated amortization	3,367	2,304
	<u>\$26,928</u>	<u>\$ 21,927</u>

6. BANK ADVANCES AND SHORT-TERM NOTES:

Bank advances include demand notes of \$6,000,000 at February 4, 1981 and at January 30, 1980 secured by the pledge of Secured Debentures Series A, payable on demand, of Simpsons-Sears Acceptance Company Limited.

The Company has agreed to give its bankers a charge on inventories to secure its short-term bank advances which were outstanding in the amount of \$128,453,000 at February 4, 1981.

7. LONG-TERM OBLIGATIONS:

	February 4, 1981 (in thousands)	January 30, 1980 (in thousands)
Simpsons-Sears Limited:		
First Mortgage Bonds:		
5% Series C due August 15, 1985	\$ 3,780	\$ 4,830
7% Series D due February 15, 1991	20,811	22,350
8% Series E due May 1, 1993	22,250	23,750
Debentures:		
4% Convertible due October 15, 1988	1,567	1,671
11% Series B due August 15, 1994	30,695	33,231
10% Series C due June 15, 1982	35,000	35,000
11% Series D due June 15, 1995	32,651	35,000
Floating rate Series E due December 31, 1987	25,000	25,000
Capital lease obligations, interest rates from 8% to 13%	28,586	23,079
	<u>200,340</u>	<u>203,911</u>
Simpsons-Sears Acceptance Company Limited:		
Secured Debentures:		
6% Series B due February 1, 1980	—	20,000
5% Series C due February 1, 1980 (U.S. \$5,000,000)	—	5,792
5% Series D due July 1, 1981	15,000	15,000
5% Series E due March 1, 1985	10,000	10,000
6% Series F due March 1, 1986	10,000	10,000
7% Series G due November 1, 1986	12,200	12,200
7% Series H due August 15, 1987	12,400	12,400
8% Series I due June 15, 1989	8,700	8,700
9% Series J due February 1, 1990	6,670	6,670
8% Series K due May 15, 1992	25,000	25,000
9% Series L due March 15, 1994	22,375	23,500
11% Series M due November 15, 1994	16,785	17,630
11% Series N due November 15, 1994	5,950	6,375
9% Series O due August 1, 1983	17,160	18,230
10% Series P due November 15, 1996	33,500	34,700
10% Series Q due November 15, 1988	10,000	10,000
9% Series R due March 15, 1984	30,000	30,000
10% Series S due July 15, 1998	32,000	32,000
12% Series T due June 15, 2000	40,000	—
Floating Rate Series U due October 31, 1990	25,000	—
	<u>332,740</u>	<u>298,197</u>
Simpsons-Sears Properties Limited:		
Mortgage and bond indebtedness:		
4% to 6% payable in monthly instalments of principal and interest and maturing at various dates from 1985 to 1998, including \$6,515,000 (U.S. \$5,457,000) at February 4, 1981 and \$6,682,000 (U.S. \$5,928,000) at January 30, 1980 payable in U.S. funds	8,383	8,806
12% notes, payable in annual amounts to August 31, 1989	3,416	3,880
	<u>11,799</u>	<u>12,686</u>
St. Laurent Shopping Centre Limited:		
8% First Mortgage Sinking Fund Bonds due June 1, 1993	12,672	12,679
10% General Mortgage Bonds Series A due June 1, 1993	3,391	3,433
13% General Mortgage Bonds Series B due June 1, 1993	1,500	—
	<u>17,563</u>	<u>16,112</u>
	562,442	530,906
Less principal payments due within one year included in current liabilities	<u>19,000</u>	<u>29,951</u>
	<u>\$543,442</u>	<u>\$500,955</u>

The First Mortgage Bonds of Simpsons-Sears Limited, the mortgage and bond indebtedness of Simpsons-Sears Properties Limited, and the First Mortgage Sinking Fund Bonds of St. Laurent Shopping Centre Limited are primarily secured by first charges on the fixed assets of those companies. The General Mortgage Bonds of St. Laurent Shopping Centre Limited are secured primarily by a second charge on the fixed assets of that company. The Debentures of Simpsons-Sears Limited are secured, subject to the security given on its First Mortgage Bonds, by a floating charge on all the assets of the Company. The Secured Debentures of Simpsons-Sears Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 3.

The 4% Convertible Debentures were convertible at the holder's option at any time up to October 16, 1978 into 113 Class A shares per \$1,000 principal amount of debentures.

The Series E Debentures of the Company, which are redeemable at its option subsequent to December 31, 1982, bear interest for each interest period at a rate equal to the aggregate of the average daily prime lending rate of the Company's two principal bankers for the interest period and ½%.

The Series U Secured Debentures of Simpsons-Sears Acceptance Company Limited bear interest at a rate equal to the average daily prime lending rates of the Company's two principal bankers for the interest period less ½% (¼% after 1987).

Subsequent to February 3, 1982, principal payments required on long-term obligations for the fiscal years ended on the dates shown are as follows:

February 2, 1983—\$43,544,000
February 1, 1984—\$28,689,000
January 30, 1985—\$46,938,000
January 29, 1986—\$27,754,000

8. CAPITAL STOCK:

During the fiscal year ended February 4, 1981, 197,300 Class A shares were issued under the Employees' Stock Purchase Plan for \$1,406,000, being the market value at the time of issue.

All classes of shares rank equally in all respects except that the Class A shares are non-voting and are entitled to a non-cumulative preferential dividend of 2½% per share in any year. After payment of a similar dividend to the holders of the Class B and Class C shares all three classes rank equally as to dividends.

9. COMMITMENTS:

The charge against earnings for the Company's Guaranteed Retirement Income Plan was \$14,129,000 for the fiscal year ended February 4, 1981 (\$13,667,000 for the fiscal year ended January 30, 1980). The unfunded obligation for past service under this plan, estimated by independent actuaries to be approximately \$66,100,000 at February 4, 1981, is to be funded and charged to earnings by annual payments to 1993.

continued on next page

Minimum lease payments, exclusive of property taxes, insurance and other expenses payable directly by the Company, under capital leases and operating leases that have an initial term of more than one year as at February 4, 1981 are as follows:

	Capital leases (in thousands)	Operating leases (in thousands)
1981	\$ 3,257	\$ 37,496
1982	3,357	31,064
1983	3,379	25,437
1984	3,272	22,755
1985	3,272	20,981
Subsequent years	65,430	309,594
Minimum lease payments	81,967	<u>\$447,327</u>
Less imputed interest	53,381	
Capital lease obligations	<u>\$28,586</u>	

Total rentals charged to earnings under all operating leases for the fiscal year ended February 4, 1981 amounted to \$41,366,000 (\$35,588,000 for the fiscal year ended January 30, 1980).

10. CONTINUANCE OF THE CORPORATION:

The Company was continued under the Canada Business Corporations Act by Certificate and Articles of Continuance dated May 15, 1980.

11. CAPITAL EXPENDITURES:

Capital expenditures for the fiscal year ending February 3, 1982 are estimated at approximately \$51,000,000.

12. SUBSEQUENT EVENTS:

On March 10, 1981, Simpsons-Sears Acceptance Company Limited entered into an agreement with an underwriter for the sale of \$75,000,000 principal amount of 14% Secured Debentures Series V due April 1, 1996 to be delivered April 7, 1981.

On February 24, 1981 St. Laurent Shopping Centre Limited issued an additional \$1,700,000 principal amount of 13% General Mortgage Bonds Series B due June 1, 1993 pursuant to an agreement dated September 15, 1980 to issue up to \$5,500,000 Series B bonds prior to April 30, 1981.

AUDITORS' REPORT

To the Shareholders of Simpsons-Sears Limited:

We have examined the consolidated balance sheet of Simpsons-Sears Limited as at February 4, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at February 4, 1981 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Price Waterhouse & Co.

Toronto, April 2, 1981

Chartered Accountants

FIVE YEAR SUMMARY

Simpsons-Sears Limited

	1980 53 weeks	1979 52 weeks	1978 52 weeks (unaudited)*	1977 52 weeks	1976 52 weeks
Results for the year (in thousands)					
Net sales	\$2,954,606	\$2,618,213	\$2,390,651	\$2,093,378	\$1,890,827
Depreciation	36,218	32,500	30,508	28,992	26,566
Income taxes	32,437	45,369	38,809	27,700	26,906
Net earnings	50,225	67,932	58,346	44,926	33,174
Dividends declared	31,430	29,416	20,526	18,077	18,037
Fixed asset additions:					
Owned	40,475	37,282	33,841	42,046	40,305
Leased under capital leases	6,064	1,548	16,255		

Year-end position (in thousands)					
Inventories	532,906	472,144	433,621	402,398	381,653
Fixed assets (net)	362,923	353,234	347,156	323,106	310,333
Total assets	1,696,433	1,577,885	1,431,632	1,339,927	1,238,070
Working capital	714,822	667,784	602,741	557,591	486,673
Long-term obligations	543,442	500,955	533,652	512,176	457,407
Shareholders' equity	570,097	549,896	435,802	390,461	362,597

Per share of capital stock (in dollars)					
Net earnings	.58	.85	.77	.60	.44
Dividends declared	.36	.36	.27	.24	.24
Shareholders' equity	6.53	6.31	5.71	5.18	4.82

* Restated for change in accounting policy applied retroactively in 1979.
The effect on prior years, not restated, would not be significant.

Sears

Simpsons-Sears Limited

Head Office,
222 Jarvis Street,
Toronto, Ontario, Canada
M5B 2B8

Transfer Agent and Registrar

The Royal Trust Company,
Toronto, Ontario;
Montreal, P.Q.;
Calgary, Alberta

Edition française du rapport annuel

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Vice-président, Finances.
Simpsons-Sears Limitée,
222 Jarvis Street,
Toronto, Ontario, Canada
M5B 2B8

Annual Meeting

The Annual and General Meeting
of Shareholders of
Simpsons-Sears Limited
will be held in the
Burton-Wood Auditorium
Simpsons-Sears Limited
Main floor,
222 Jarvis Street
on Wednesday, May 20, 1981
at 10:00 a.m.

Simpsons-Sears Limited/Annual Report 1980